



Mary Taylor, CPA
Auditor of State

**JACKSON MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountant's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Government Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) – Emergency Levy Fund.....	20
Statement of Fiduciary Net Assets - Fiduciary Funds.....	21
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	22
Notes to the Basic Financial Statements	23
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Jackson Milton Local School District
Mahoning County
14110 Mahoning Avenue
North Jackson, Ohio 44451

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Milton Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Milton Local School District, Mahoning County, Ohio, as of June 30, 2006, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General Fund and Emergency Levy Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 15, 2008

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The discussion and analysis of the Jackson-Milton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities increased \$573,998 which represents a 39.10% increase from 2005.
- General revenues accounted for \$8,136,627 in revenue or 85.96% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,329,487 or 14.04% of total revenues of \$9,466,114.
- The District had \$8,892,116 in expenses related to governmental activities; \$1,329,487 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,136,627 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, emergency levy fund and permanent improvement fund. The general fund had \$6,777,402 in revenues and \$6,971,214 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance decreased \$193,812 from a restated balance of \$366,878 as described in Note 3.A. to \$173,066.
- The District's emergency levy fund had \$1,648,449 in revenues and \$1,647,922 in expenditures. During fiscal year 2006, the emergency levy fund's fund deficit balance decreased \$527 from a deficit of \$7,120 to a deficit of \$6,593.
- The District's permanent improvement fund had \$1,274,932 in revenues and other financing sources and \$535,685 in expenditures. During fiscal year 2006, the permanent improvement fund's fund balance increased \$739,247 from a balance of \$1,185 to a balance of \$740,432.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, emergency levy fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, emergency levy fund and permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-20 of this report.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-47 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2006 and 2005.

	Net Assets	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 7,911,656	\$ 6,498,356
Capital assets, net	<u>1,656,028</u>	<u>1,809,271</u>
Total assets	<u>9,567,684</u>	<u>8,307,627</u>
<u>Liabilities</u>		
Current liabilities	6,518,607	5,652,717
Long-term liabilities	<u>1,007,216</u>	<u>1,187,047</u>
Total liabilities	<u>7,525,823</u>	<u>6,839,764</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,491,024	1,337,872
Restricted	883,308	370,851
Unrestricted (deficit)	<u>(332,471)</u>	<u>(240,860)</u>
Total net assets	<u>\$ 2,041,861</u>	<u>\$ 1,467,863</u>

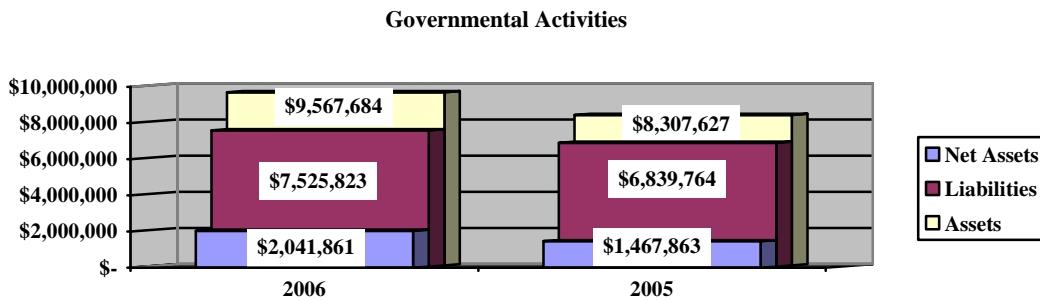
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$2,041,861. Of this total, \$883,308 is restricted in use.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

At year-end, capital assets represented 17.31% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$1,491,024. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$883,308, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$332,471.



The table below shows the change in net assets for fiscal year 2006 and 2005.

	Change in Net Assets	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 519,088	\$ 372,569
Operating grants and contributions	768,037	809,994
Capital grants and contributions	42,362	48,833
General revenues:		
Property taxes	4,946,950	4,451,101
Grants and entitlements	3,064,198	3,014,783
Investment earnings	40,058	20,924
Other	<u>85,421</u>	<u>66,008</u>
Total revenues	<u>9,466,114</u>	<u>8,784,212</u>

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Change in Net Assets

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,096,618	\$ 4,116,320
Special	891,515	922,833
Vocational	174,136	214,103
Other	77,168	9,696
Support services:		
Pupil	204,208	183,678
Instructional staff	207,749	249,147
Board of education	46,586	78,829
Administration	740,250	714,532
Fiscal	407,230	385,071
Operations and maintenance	703,228	749,591
Pupil transportation	715,537	731,045
Food service operations	233,221	239,807
Operations of non-instructional services	14,756	23,689
Extracurricular activities	354,719	338,772
Interest and fiscal charges	<u>25,195</u>	<u>18,038</u>
Total expenses	<u>8,892,116</u>	<u>8,975,151</u>
Change in net assets	573,998	(190,939)
Net assets at beginning of year	<u>1,467,863</u>	<u>1,658,802</u>
Net assets at end of year	<u>\$ 2,041,861</u>	<u>\$ 1,467,863</u>

Governmental Activities

Net assets of the District's governmental activities increased \$573,998. Total governmental expenses of \$8,892,116 were offset by program revenues of \$1,329,487 and general revenues of \$8,136,627. Program revenues supported 14.95% of the total governmental expenses.

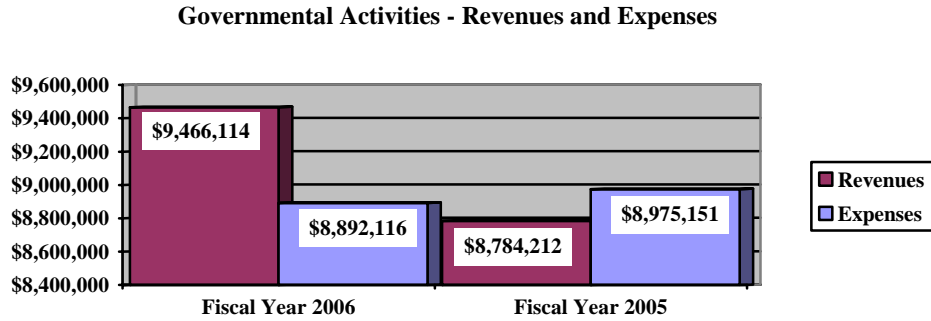
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 84.63% of total governmental revenue. The increase in property tax revenue is due to the sexennial reappraisal and the subsequent increase in the assessed valuations of the District, which went into effect for fiscal 2006.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,239,437 or 58.92% of total governmental expenses for fiscal 2006.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities				
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program expenses				
Instruction:				
Regular	\$ 4,096,618	\$ 3,697,234	\$ 4,116,320	\$ 3,560,246
Special	891,515	554,103	922,833	619,479
Vocational	174,136	165,990	214,103	214,103
Other	77,168	40,042	9,696	9,696
Support services:				
Pupil	204,208	194,098	183,678	183,678
Instructional staff	207,749	178,880	249,147	235,704
Board of education	46,586	44,176	78,829	78,829
Administration	740,250	702,233	714,532	714,532
Fiscal	407,230	378,348	385,071	380,071
Operations and maintenance	703,228	667,557	749,591	749,591
Pupil transportation	715,537	656,681	731,045	731,045
Food service operations	233,221	(39,061)	239,807	(36,698)
Operations of non-instructional services	14,756	10,657	23,689	23,689
Extracurricular activities	354,719	286,496	338,772	261,752
Interest and fiscal charges	25,195	25,195	18,038	18,038
Total expenses	<u>\$ 8,892,116</u>	<u>\$ 7,562,629</u>	<u>\$ 8,975,151</u>	<u>\$ 7,743,755</u>

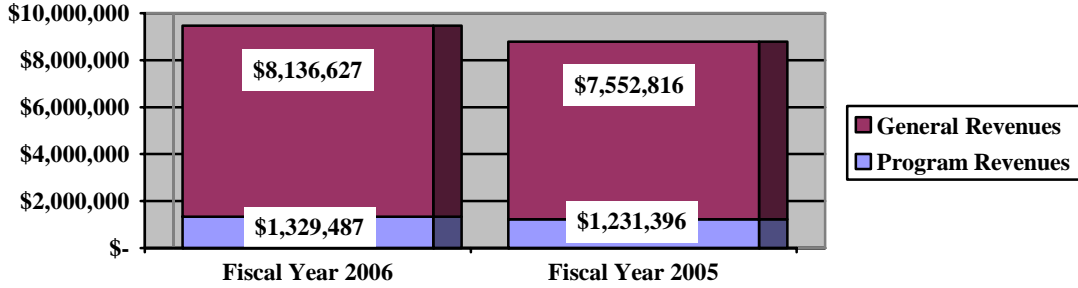
The dependence upon tax and other general revenues for governmental activities is apparent, 85.07% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.05%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,045,005, which is higher than last year's total of \$464,958. The June 30, 2005 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance (deficit) <u>June 30, 2006</u>	Restated Fund Balance (deficit) <u>June 30, 2005</u>	Increase (Decrease)	Percentage Change
General	\$ 173,066	\$ 366,878	\$ (193,812)	(52.83) %
Emergency Levy	(6,593)	(7,120)	527	7.40 %
Permanent Improvement	740,432	1,185	739,247	62,383.71 %
Other Governmental	<u>138,100</u>	<u>104,015</u>	<u>34,085</u>	32.77 %
Total	<u>\$ 1,045,005</u>	<u>\$ 464,958</u>	<u>\$ 580,047</u>	124.75 %

General Fund

The District's general fund balance decreased \$193,812. The decrease in fund balance can be attributed to several items related to transfers out to other funds. Revenues exceed expenditures for fiscal year 2006 by \$786,223. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,318,492	\$ 3,002,336	\$ 316,156	10.53 %
Tuition	311,851	222,942	88,909	39.88 %
Earnings on investments	40,058	20,924	19,134	91.45 %
Intergovernmental	3,064,198	3,004,597	59,601	1.98 %
Other revenues	<u>42,803</u>	<u>33,368</u>	<u>9,435</u>	28.28 %
Total	<u>\$ 6,777,402</u>	<u>\$ 6,284,167</u>	<u>\$ 493,235</u>	7.85 %
<u>Expenditures</u>				
Instruction	\$ 3,092,431	\$ 3,272,432	\$ (180,001)	(5.50) %
Support services	2,670,619	2,741,306	(70,687)	(2.58) %
Extracurricular activities	<u>228,129</u>	<u>215,795</u>	<u>12,334</u>	5.72 %
Total	<u>\$ 5,991,179</u>	<u>\$ 6,229,533</u>	<u>\$ (238,354)</u>	(3.83) %

The increase in property tax revenue is due to the sexennial reappraisal and the subsequent increase in the assessed valuations of the District, which went into effect for fiscal 2006. The increase in interest revenue is the result of higher interest rates in fiscal 2006, which were increased during the year by the Federal Reserve Bank. The decrease in expenditures is due to cost reducing measures implemented by the District.

Emergency Levy Fund

The District's emergency levy fund had \$1,648,449 in revenues and \$1,647,922 in expenditures. During fiscal year 2006, the emergency levy fund's fund balance deficit decreased \$527 from a deficit of \$7,120 to a deficit of \$6,593.

Permanent Improvement Fund

The District's permanent improvement fund had \$1,274,932 in revenues and other financing sources and \$535,685 in expenditures. During fiscal year 2006, the permanent improvement fund's fund balance increased \$739,247 from a balance of \$1,185 to a balance of \$740,432.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$6,216,128 and final budgeted revenues and other financing sources were \$6,836,783. Actual revenues and other financing sources for fiscal 2006 was \$6,841,650. This represents a \$4,867 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$6,497,013 were increased to \$7,005,636 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$7,005,636, which was the same as the final budget appropriations.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$1,656,028 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2006	2005
Land	\$ 465,231	\$ 465,231
Land improvements	184,137	205,467
Building and improvements	574,401	630,754
Furniture and equipment	67,194	132,404
Vehicles	365,065	375,415
Total	\$ 1,656,028	\$ 1,809,271

The overall decrease in capital assets of \$153,243 is due to depreciation expense of \$232,749 and disposals of \$6,094 (net of accumulated depreciation) exceeding capital outlays of \$85,600 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2006, the District had \$165,004 in energy conservation notes outstanding. Of this total, \$20,000 is due within one year and \$145,004 is due within greater than one year. The following table summarizes the notes outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2006	2005
Energy conservation notes	\$ 165,004	\$ 185,004
Total	\$ 165,004	\$ 185,004

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Current Financial Related Activities

The District faces many challenges in the future. The District relies heavily upon State support for revenue. With the implementation of HB66 and the loss of personal property tax revenue the District will be forced to ask local taxpayers for more money. The District is also on a fixed transition guarantee funding formula based on fiscal year 2006 levels. There is a chance this funding level will cease and the local taxpayers will once again have to make up the difference of approximately four mills. The District has a 6.2 renewal levy on the May 8th, 2007 ballot generating over \$985,000 per year. Without the passage of this levy, future reductions appear inevitable.

The District is in the midst of a building project. A new 6-12 facility was approved by the Board of Education and will be paid for by re-allocating 3.85 inside mills for permanent improvement. These mills combined with existing permanent improvement dollars will allow the district to borrow the funds needed for the project. Approximately \$14.8 million will be spent on this building and be paid for over the next 30 years. Construction is to begin in fiscal year 2008. The building will be designed to meet OSFC guidelines for reimbursement in future years.

The last challenge facing the District is the future of State funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

The District has been adversely affected by open enrollment and community school education options. In response, the Board of Education declared the District open to every district in the State. This move has softened the financial blow and is beginning to offset some of the financial loss.

The District's system of budgeting and internal controls is well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. John C. Zinger, Treasurer, Jackson-Milton Local School District, 14110 Mahoning Avenue, North Jackson, Ohio 44451.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,223,066
Receivables:	
Taxes	5,625,930
Accounts	735
Accrued interest	99
Intergovernmental	43,987
Prepayments	11,801
Materials and supplies inventory	6,038
Capital assets:	
Land	465,231
Depreciable capital assets, net	1,190,797
Capital assets, net.	<u>1,656,028</u>
 Total assets.	 <u>9,567,684</u>
Liabilities:	
Accounts payable.	10,679
Accrued wages and benefits	848,705
Pension obligation payable.	183,165
Intergovernmental payable	23,778
Deferred revenue	5,451,561
Accrued interest payable	719
Long-term liabilities:	
Due within one year.	259,397
Due within more than one year	747,819
 Total liabilities	 <u>7,525,823</u>
Net Assets:	
Invested in capital assets, net of related debt.	1,491,024
Restricted for:	
Capital projects	750,496
Debt service.	211
Locally funded programs	450
State funded programs	499
Federally funded programs	8,325
Student activities	23,322
Public school support	33,724
Other purposes	66,281
Unrestricted (deficit)	<u>(332,471)</u>
 Total net assets	 <u>\$ 2,041,861</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 4,096,618	\$ 122,052	\$ 269,810	\$ 7,522	\$ (3,697,234)
Special	891,515	28,711	308,701	-	(554,103)
Vocational	174,136	8,146	-	-	(165,990)
Other	77,168	15,710	21,416	-	(40,042)
Support services:					
Pupil	204,208	10,110	-	-	(194,098)
Instructional staff	207,749	9,145	19,724	-	(178,880)
Board of education	46,586	2,410	-	-	(44,176)
Administration	740,250	38,017	-	-	(702,233)
Fiscal	407,230	17,357	8,051	3,474	(378,348)
Operations and maintenance	703,228	35,671	-	-	(667,557)
Pupil transportation	715,537	27,490	-	31,366	(656,681)
Operation of non-instructional services:					
Food service operations	233,221	136,046	136,236	-	39,061
Other non-instructional services	14,756	-	4,099	-	(10,657)
Extracurricular activities	354,719	68,223	-	-	(286,496)
Interest and fiscal charges	25,195	-	-	-	(25,195)
Total governmental activities	\$ 8,892,116	\$ 519,088	\$ 768,037	\$ 42,362	(7,562,629)

General Revenues:

Property taxes levied for:	
General purposes	3,221,035
Special revenue	1,408,770
Debt service	28,970
Capital projects	288,175
Grants and entitlements not restricted to specific programs	
Investment earnings	40,058
Miscellaneous	85,421
Total general revenues	8,136,627
Change in net assets	573,998
Net assets at beginning of year	1,467,863
Net assets at end of year	\$ 2,041,861

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Emergency Levy</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,253,983	\$ -	\$ 740,432	\$ 162,370	\$ 2,156,785
Receivables:					
Taxes	3,643,957	1,627,246	324,722	30,005	5,625,930
Accounts	217	-	-	518	735
Accrued interest	99	-	-	-	99
Intergovernmental	-	-	-	43,987	43,987
Interfund receivable	3,000	-	-	-	3,000
Prepayments	11,801	-	-	-	11,801
Materials and supplies inventory	-	-	-	6,038	6,038
Restricted assets:					
Equity in pooled cash and cash equivalents	66,281	-	-	-	66,281
Total assets	<u>\$ 4,979,338</u>	<u>\$ 1,627,246</u>	<u>\$ 1,065,154</u>	<u>\$ 242,918</u>	<u>\$ 7,914,656</u>
Liabilities:					
Accounts payable	\$ 10,679	\$ -	\$ -	\$ -	\$ 10,679
Accrued wages and benefits	791,409	-	-	57,296	848,705
Compensated absences payable	174,394	-	-	-	174,394
Pension obligation payable.	170,540	-	-	12,625	183,165
Intergovernmental payable.	15,293	6,593	-	1,892	23,778
Interfund payable.	-	-	-	3,000	3,000
Deferred revenue.	3,643,957	1,627,246	324,722	30,005	5,625,930
Total liabilities	<u>4,806,272</u>	<u>1,633,839</u>	<u>324,722</u>	<u>104,818</u>	<u>6,869,651</u>
Fund Balances:					
Reserved for encumbrances	16,140	-	-	7,433	23,573
Reserved for materials and supplies inventory.	-	-	-	6,038	6,038
Reserved for prepayments	11,801	-	-	-	11,801
Reserved for school bus purchases	66,281	-	-	-	66,281
Unreserved, undesignated (deficit), reported in:					
General fund	78,844	-	-	-	78,844
Special revenue funds.	-	(6,593)	-	124,629	118,036
Capital projects funds.	-	-	740,432	-	740,432
Total fund balances (deficit)	<u>173,066</u>	<u>(6,593)</u>	<u>740,432</u>	<u>138,100</u>	<u>1,045,005</u>
Total liabilities and fund balances	<u>\$ 4,979,338</u>	<u>\$ 1,627,246</u>	<u>\$ 1,065,154</u>	<u>\$ 242,918</u>	<u>\$ 7,914,656</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$ 1,045,005
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,656,028
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 174,369	
Total		174,369
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	667,818	
Energy conservation notes	165,004	
Accrued interest payable	719	
Total		(833,541)
Net assets of governmental activities		\$ 2,041,861

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Emergency Levy</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 3,318,492	\$ 1,447,042	\$ 296,286	\$ 30,175	\$ 5,091,995
Tuition.	311,851	-	-	-	311,851
Earnings on investments.	40,058	-	-	-	40,058
Charges for services.	-	-	-	136,046	136,046
Extracurricular.	-	-	-	57,293	57,293
Classroom materials and fees.	-	-	-	13,898	13,898
Other local revenues.	42,803	-	-	42,618	85,421
Intergovernmental - Intermediate.	18,229	-	-	-	18,229
Intergovernmental - State.	3,045,969	201,407	42,362	70,288	3,360,026
Intergovernmental - Federal	-	-	-	496,342	496,342
Total revenue	<u>6,777,402</u>	<u>1,648,449</u>	<u>338,648</u>	<u>846,660</u>	<u>9,611,159</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,344,920	1,622,960	24,701	81,123	4,073,704
Special.	555,014	-	-	296,679	851,693
Vocational.	157,464	-	-	-	157,464
Other.	35,033	-	-	42,135	77,168
Support services:					
Pupil.	195,444	-	-	-	195,444
Instructional staff	176,783	-	-	19,907	196,690
Board of education	46,586	-	-	-	46,586
Administration.	695,290	-	-	-	695,290
Fiscal	335,537	24,962	11,408	27,083	398,990
Operations and maintenance.	689,559	-	-	-	689,559
Pupil transportation	531,420	-	103,003	-	634,423
Operation of non-instructional services:					
Food service operations	-	-	-	232,436	232,436
Other non-instructional services.	-	-	-	3,815	3,815
Extracurricular activities.	228,129	-	-	122,973	351,102
Facilities acquisition and construction	-	-	95,069	-	95,069
Debt service:					
Principal retirement	-	-	286,395	20,000	306,395
Interest and fiscal charges	-	-	15,109	10,175	25,284
Total expenditures	<u>5,991,179</u>	<u>1,647,922</u>	<u>535,685</u>	<u>856,326</u>	<u>9,031,112</u>
Excess of revenues over (under) expenditures	<u>786,223</u>	<u>527</u>	<u>(197,037)</u>	<u>(9,666)</u>	<u>580,047</u>
Other financing sources (uses):					
Transfers in	-	-	936,284	43,751	980,035
Transfers (out).	(980,035)	-	-	-	(980,035)
Total other financing sources (uses)	<u>(980,035)</u>	<u>-</u>	<u>936,284</u>	<u>43,751</u>	<u>-</u>
Net change in fund balances	(193,812)	527	739,247	34,085	580,047
Fund balances					
at beginning of year (restated).	366,878	(7,120)	1,185	104,015	464,958
Fund balances at end of year.	<u>\$ 173,066</u>	<u>\$ (6,593)</u>	<u>\$ 740,432</u>	<u>\$ 138,100</u>	<u>\$ 1,045,005</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$	580,047
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$232,749) exceeds capital outlays (\$85,600) in the current period.		(147,149)
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals, sales, trade-ins and donations) is to decrease net assets.		(6,094)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(145,045)
Repayment of note, capital lease, and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		306,395
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		89
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(14,245)
Change in net assets of governmental activities	\$	573,998

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 3,015,087	\$ 3,316,131	\$ 3,318,492	\$ 2,361
Tuition.	283,339	311,629	311,851	222
Earnings on investments.	36,306	39,931	39,959	28
Other local revenues	41,150	45,258	45,290	32
Intergovernmental - Intermediate	16,562	18,216	18,229	13
Intergovernmental - State	2,767,480	3,043,802	3,045,969	2,167
Total revenue	<u>6,159,924</u>	<u>6,774,967</u>	<u>6,779,790</u>	<u>4,823</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,107,221	2,272,186	2,272,186	-
Special.	512,996	553,156	553,156	-
Vocational.	161,342	173,973	173,973	-
Other.....	32,358	34,890	34,890	-
Support services:				
Pupil.	180,806	194,960	194,960	-
Instructional staff	170,945	184,328	184,328	-
Board of education	62,734	67,645	67,645	-
Administration.	633,789	683,406	683,406	-
Fiscal	320,822	345,938	345,938	-
Operations and maintenance.	650,529	701,456	701,456	-
Pupil transportation	488,554	526,801	526,801	-
Extracurricular activities.	207,610	223,863	223,863	-
Total expenditures	<u>5,529,706</u>	<u>5,962,602</u>	<u>5,962,602</u>	<u>-</u>
Excess of revenues over (under) expenditures.	<u>630,218</u>	<u>812,365</u>	<u>817,188</u>	<u>4,823</u>
Other financing sources (uses):				
Refund of prior year expenditure.	1,352	1,487	1,488	1
Advances (out).	(2,782)	(3,000)	(3,000)	-
Transfers in	54,514	59,957	60,000	43
Transfers (out)	(964,525)	(1,040,034)	(1,040,034)	-
Sale of capital assets	338	372	372	-
Total other financing sources (uses)	<u>(911,103)</u>	<u>(981,218)</u>	<u>(981,174)</u>	<u>44</u>
Net change in fund balance	(280,885)	(168,853)	(163,986)	4,867
Fund balance at beginning of year.	1,438,404	1,438,404	1,438,404	-
Prior year encumbrances appropriated	21,514	21,514	21,514	-
Fund balance at end of year	<u>\$ 1,179,033</u>	<u>\$ 1,291,065</u>	<u>\$ 1,295,932</u>	<u>\$ 4,867</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EMERGENCY LEVY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 1,245,362	\$ 1,447,042	\$ 1,447,042	\$ -
Intergovernmental - State	173,336	201,407	201,407	-
Total revenue	<u>1,418,698</u>	<u>1,648,449</u>	<u>1,648,449</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,397,215	1,623,487	1,623,487	-
Support services:				
Fiscal	21,483	24,962	24,962	-
Total expenditures	<u>1,418,698</u>	<u>1,648,449</u>	<u>1,648,449</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 2,159	\$ 18,223
Total assets.	<u>2,159</u>	<u><u>18,223</u></u>
Liabilities:		
Due to students	-	\$ 18,223
Total liabilities	<u>-</u>	<u><u>18,223</u></u>
Net Assets:		
Held in trust for scholarships	<u>2,159</u>	
Total net assets	<u><u>\$ 2,159</u></u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 8,360
Total additions.	8,360
Deductions:	
Scholarships awarded	10,592
Change in net assets	(2,232)
Net assets at beginning of year	4,391
Net assets at end of year	\$ 2,159

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Jackson-Milton Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to residents of the District.

The District ranks as the 515th largest among the 615 public school districts in the state. Average daily membership at June 30, 2006 was 916. The District employs 66 certified employees and 50 non-certified employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

The District is a member of ACCESS, a not-for-profit computer service, jointly governed organization which provides computer services to the school districts within the boundaries of Mahoning and Columbiana Counties. Each District's superintendent serves as a representative on the Board which consists of approximately 24 member districts. However, the degree of control exercised by any participating school district is limited to its representation on the Board.

Mahoning County Career & Technical Center

The Mahoning County Career & Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career & Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of fourteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating School District (usually the superintendent or a designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent, Austintown Local School District. The fiscal agent will then remit the charges for services to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Emergency Levy Fund - A special revenue fund used to account for the proceeds of a special levy. Such a levy is necessary to satisfy a district's emergency needs or to prevent school closings.

Permanent Improvement Fund - A capital projects fund used to account for all transactions related to the acquisition, construction, or improvement of capital facilities.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs; and (b) grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities and unclaimed monies.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2006 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statements reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2006.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2006, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statements reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District has invested funds in STAR Ohio during fiscal 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$40,058, which includes \$11,340 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

Governmental capital assets are those assets generally related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2006, the District maintained a capitalization threshold of \$2,500. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess any infrastructure.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the Statement of Net Assets. The District has no interfund balances.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 with at least ten years of service and all employees with twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, and school bus purchases.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a reserve for school bus purchases. This reserve is required by state statute. A schedule of statutory reserves is presented in Note 17.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42 and GASB Statement No. 46 did not have an effect on the fund balances and net assets of the District as previously reported at June 30, 2005.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of GASB Statement No. 47 did have an effect on the fund balances of the District as previously reported at June 30, 2005. Under GASB Statement No. 47, the District's retirement incentive program is required to be reported as a fund liability only to the extent that the liability is expected to be liquidated using current financial resources. In the prior fiscal year, the entire liability was reported as a fund liability. The implementation of GASB Statement No. 47 had the following effect on the fund balances of the District as previously reported:

	General Fund
Fund balance, June 30, 2005	\$ 280,183
Implementation of GASB Statement No. 47	86,695
Restated fund balance, July 1, 2005	366,878

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
Emergency Levy	\$ 6,593
<u>Nonmajor Governmental Funds</u>	
Management Information System	563
Summer Intervention	575
Poverty Aid	82
Miscellaneous State Grant	16
Title I Disadvantaged Children	4,092
Improving Teacher Quality	4,620

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years of the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$2,242,528. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2006, \$188,575 of the District’s bank balance of \$2,357,128 was covered by the Federal Deposit Insurance Corporation, while \$2,168,553 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

B. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 920	\$ 920

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District’s investment policy addresses interest rate risk by requiring the consideration of cash flow requirements and market conditions in determining the term of an investment, and limiting investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District’s investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District’s investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District’s investment policy does not place any limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ <u>920</u>	<u>100.00%</u>

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$ 2,242,528
Investments	<u>920</u>
Total	<u>\$ 2,243,448</u>
 <u>Cash and Investments per Statement of Net Assets</u>	
Governmental activities	\$ 2,223,066
Private-purpose trust funds	2,159
Agency funds	<u>18,223</u>
Total	<u>\$ 2,243,448</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Transfers for the year ended June 30, 2006, as reported on the fund financial statements:

<u>Transfers from General fund to:</u>	<u>Amount</u>
Permanent Improvement fund	\$ 936,284
Nonmajor governmental funds	<u>43,751</u>
Total	<u>\$ 980,035</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated on the government-wide financials.

B. Interfund loans receivable and payable at June 30, 2006, as reported in the fund financial statements:

<u>Interfund loans receivable in the General fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 3,000

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the statement of net assets.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of January 1, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date tax bills are sent.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. There was no tax advances available at June 30, 2006.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 119,638,550	82.90	\$ 156,550,200	88.18
Public utility personal property	8,665,570	6.01	8,735,220	4.92
Tangible personal property	<u>15,994,454</u>	<u>11.09</u>	<u>12,257,051</u>	<u>6.90</u>
Total	<u>\$ 144,298,574</u>	<u>100.00</u>	<u>\$ 177,542,471</u>	<u>100.00</u>

Tax rate per \$1,000 of assessed valuation:

General operations	\$ 47.35		\$ 47.30
Permanent improvements	2.40		2.40

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities

Taxes	\$ 5,625,930
Accounts	735
Accrued interest	99
Intergovernmental	<u>43,987</u>
Total	<u>\$ 5,670,751</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/06</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 465,231	\$ -	\$ -	\$ 465,231
<i>Total capital assets, not being depreciated</i>	<u>465,231</u>	<u>-</u>	<u>-</u>	<u>465,231</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	407,395	-	-	407,395
Buildings and improvements	3,417,512	-	-	3,417,512
Equipment and furniture	1,158,271	21,380	-	1,179,651
Vehicles	904,159	64,220	(60,947)	907,432
<i>Total capital assets, being depreciated</i>	<u>5,887,337</u>	<u>85,600</u>	<u>(60,947)</u>	<u>5,911,990</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(201,928)	(21,330)	-	(223,258)
Buildings and improvements	(2,786,758)	(56,353)	-	(2,843,111)
Equipment and furniture	(1,025,867)	(86,590)	-	(1,112,457)
Vehicles	(528,744)	(68,476)	54,853	(542,367)
<i>Total accumulated depreciation</i>	<u>(4,543,297)</u>	<u>(232,749)</u>	<u>54,853</u>	<u>(4,721,193)</u>
Total capital assets, net	<u><u>\$ 1,809,271</u></u>	<u><u>\$ (147,149)</u></u>	<u><u>\$ (6,094)</u></u>	<u><u>\$ 1,656,028</u></u>

Depreciation expense was charged to the governmental functions as follows:

Instruction:

Regular	\$ 66,664
Special	21,455
Vocational	23,967

Support Services:

Pupil	5,371
Instructional staff	6,603
Administration	10,875
Fiscal	4,944
Operations and maintenance	6,729
Pupil transportation	72,851
Other non-instructional services	10,941
Extracurricular activities	<u>2,349</u>
Total depreciation expense	<u><u>\$ 232,749</u></u>

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into a lease for the acquisition of computers. This lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease, generally, as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$217,047. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2006 totaled \$46,395 paid by the Permanent Improvement fund. This was the final scheduled payment on the capital lease. There is no liability recorded on the statement of net assets for capital lease obligation as of June 30, 2006.

NOTE 10 - LEASE-PURCHASE AGREEMENT

On June 5, 2003, the District entered into a \$307,000 lease-purchase agreement with the Columbus Regional Airport Authority to finance the acquisition of real property (102.3 acres) for the site of a new high school campus, the construction of pavement, and site improvements thereto. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2006, the District made the \$7,000 scheduled principal payment on the lease-purchase agreement, plus an additional \$233,000 early redemption payment.

There is no liability recorded on the statement of net assets for the lease-purchase agreement as of June 30, 2006. Capital assets consisting of land and land improvements have been capitalized in the amount of \$307,000.

NOTE 11 - LONG-TERM OBLIGATIONS

A. The District has one long-term debt obligation outstanding at June 30, 2006, energy conservation notes.

The energy conservation notes were issued pursuant to Section 3313.372 of the Ohio Revised Code in anticipation of energy cost savings to be realized from energy conservation projects under House Bill 264. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund (a nonmajor governmental fund).

The following is a description of the District's energy conservation notes outstanding as of June 30, 2006:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Outstanding 06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/06</u>	<u>Amounts Due in One Year</u>
Energy conservation notes	06/01/98	06/01/13	5.50%	\$ 185,004	\$ -	\$ (20,000)	\$ 165,004	\$ 20,000
Total				<u>\$ 185,004</u>	<u>\$ -</u>	<u>\$ (20,000)</u>	<u>\$ 165,004</u>	<u>\$ 20,000</u>

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following are the District's future annual debt service requirements to amortize the energy conservation notes outstanding at June 30, 2006:

<u>Year Ended</u>	<u>Energy Conservation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 20,000	\$ 9,075	\$ 29,075
2008	20,000	7,975	27,975
2009	20,000	6,875	26,875
2010	25,000	5,775	30,775
2011	25,000	4,400	29,400
2012 - 2013	<u>55,004</u>	<u>4,675</u>	<u>59,679</u>
Total	<u>\$ 165,004</u>	<u>\$ 38,775</u>	<u>\$ 203,779</u>

B. During fiscal 2006, the following changes occurred in governmental activities long-term obligations:

<u>Governmental Activities</u>	<u>Balance at</u> <u>06/30/05</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>06/30/06</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Energy conservation notes	\$ 185,004	\$ -	\$ (20,000)	\$ 165,004	\$ 20,000
Capital lease obligation	46,395	-	(46,395)	-	-
Lease purchase agreement	240,000	-	(240,000)	-	-
Compensated absences	<u>715,648</u>	<u>203,178</u>	<u>(76,614)</u>	<u>842,212</u>	<u>239,397</u>
Total governmental activities	<u>\$ 1,187,047</u>	<u>\$ 203,178</u>	<u>\$ (383,009)</u>	<u>\$ 1,007,216</u>	<u>\$ 259,397</u>

Compensated absences are paid out of the fund that the employee is paid, primarily the General fund.

C. Legal Debt Margins

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2006 are a legal voted debt margin of \$15,978,822 and a legal unvoted debt margin of \$177,542.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment, and instruments. The comprehensive commercial insurance coverage limits are \$19,018,576 and a deductible of \$1,000. The business auto coverage limits are \$1,000,000 for liability and uninsured motorists.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 12 - RISK MANAGEMENT - (Continued)

The District has a liability insurance coverage limit of \$1,000,000 per claim and \$3,000,000 annual aggregate.

Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Mahoning County School Employees Insurance Consortium

The District has joined together with other school districts in Mahoning County to form the Mahoning County School Employees Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 14 member school districts. The plan was organized to provide life insurance, health care, and other benefits to its member organizations.

Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claims payments are made for all participating districts and claims flow. The District is responsible for paying health plan claims up to \$135,000 per individual per year. Any claims exceeding the \$135,000 is covered by the District's stop-loss carrier.

The District pays the insurance premiums for the classified employees. The District pays the health insurance premiums for the certified employees, except for \$10 per month for single coverage and \$25 per month for family coverage, which is paid by the employees.

The health and dental coverage is administered by Medical Mutual of Ohio, a third party administrator. National Insurance Services provides the life insurance coverage.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$104,525, \$138,214, and \$134,450, respectively. 43.22 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$59,354 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 13 - PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$454,482, \$469,389, and \$449,219, respectively. 83.04 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$77,101 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$3,059 made by the District and \$4,519 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$34,960 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS Ohio were \$254.780 million and STRS Ohio had 115,395 eligible benefit recipients.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$53,620 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses, less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>	<u>Emergency Levy Fund</u>
Budget basis	\$ (163,986)	\$ -
Net adjustment for revenue accruals	(2,388)	-
Net adjustment for expenditure accruals	(52,909)	527
Net adjustment for other financing sources/uses	1,139	-
Adjustment for encumbrances	<u>24,332</u>	<u>-</u>
GAAP basis	<u>\$ (193,812)</u>	<u>\$ 527</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006 the reserve activity was as follows:

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 17 - STATUTORY RESERVES - (Continued)

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2005	\$ (195,998)	\$ -	\$ 264,284
Current year set-aside requirement	126,227	126,227	-
Current year offsets	-	(126,227)	-
Current year qualifying expenditures	<u>(136,567)</u>	<u>(535,684)</u>	<u>(264,284)</u>
Total	<u>\$ (206,338)</u>	<u>\$ (535,684)</u>	<u>\$ -</u>
Balance carried forward to FY2007	<u>\$ (206,338)</u>	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying expenditures during the year that reduced the instructional materials and capital maintenance set-aside amounts below zero. The negative amount for the instructional materials set-aside may be used to offset set-aside requirements of future years and, therefore, is presented as being carried forward to fiscal year 2007. The negative amount for the capital maintenance set-aside may not be used to offset set-aside requirements of future years and, therefore, is not presented as being carried forward to fiscal year 2007.

During fiscal year 2006, the District eliminated the budget stabilization reserve. The budget stabilization reserve was accounted for in a special cost center in the General fund. The District transferred the balance of this special cost center to the Permanent Improvement fund during fiscal 2006.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of restricted assets at June 30, 2006 is as follows:

Amount restricted for school bus purchases	<u>\$ 66,281</u>
Total restricted assets	<u>\$ 66,281</u>

NOTE 18 - SIGNIFICANT SUBSEQUENT EVENT

Subsequent to June 30, 2006, in November 2007, the District had an emergency renewal levy on the ballot. This emergency renewal levy was for 5.6 mills and for a period of five years. The emergency renewal levy did not pass, and will be on the ballot again in March 2008.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jackson Milton Local School District
Mahoning County
14110 Mahoning Avenue
North Jackson, Ohio 44451

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Milton Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Jackson Milton Local School District
Mahoning County
Independent Accountants' Report On Internal Control Over
Financial Reporting and On Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 15, 2008



Mary Taylor, CPA
Auditor of State

JACKSON MILTON LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2008**